

Message Text

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PAGE 01 BUENOS 01632 012222Z
ACTION AGRE-00

INFO OCT-01 ARA-06 EUR-12 ISO-00 EB-08 SP-02 USIA-06
AID-05 NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
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DEPARTMENT PASS USDA/FAS FOR GRAIN & FEED FCA

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TAGS: EAGR, AR, UR, PL, GE
SUBJECT: ARGENTINE GRAIN MISSION TO TRAVEL TO USSR, EAST GERMANY
AND POLAND

REF: BUENOS AIRES 1239

1. AN ARGENTINE GRAIN MISSION LED BY INTERVENTOR OF NATIONAL
GRAIN BOARD WILL TRAVEL TO THE USSR, EAST GERMANY, AND POLAND
DURING THE PERIOD MARCH 14-26. THE MISSION WILL INCLUDE
REPRESENTATIVES OF THE PRIVATE EXPORT FIRMS AND THE COOPERATIVES.

2. ONE MEMBER OF THE MISSION TOLD THE AGRICULTURE ATTACHE
THAT THE PURPOSE OF THIS MISSION WAS TO "SHOW THE FLAG", EXPLAIN
THE NEW GRAIN EXPORT MARKETING STRUCTURE AND TO RE-ESTABLISH
CONTACTS. MOST OF THE RECENT WHEAT CROP HAS ALREADY BEEN COMMITTED
FOR EXPORT INCLUDING SIGNIFICANT AMOUNTS OF THESE THREE COUNTRIES,
BUT LITTLE OF THE PENDING CORN AND GRAIN SORGHUM HARVESTS HAVE
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PAGE 02 BUENOS 01632 012222Z

BEEN PLACED OVERSEAS. THERE ARE SOME POSSIBILITIES THAT POSSIBLE
CORN AND GRAIN SORGHUM SALES COULD BE DISCUSSED. ALSO MENTIONED
AS A POINT OF DISCUSSION IS A POSSIBLE BILATERAL GRAINS
AGREEMENT WITH THE USSR FOR THE FUTURE. DURING THE SIGNING
OF A GENERAL ARGENTINE/USSR TRADE ACCORD SEVERAL MONTHS AGO,
THERE WAS MENTION OF A ONE MILLION TONS BILATERAL GRAINS
AGREEMENT, BUT VIRTUALLY NOTHING HAS BECOME HEARD ABOUT THIS

SINCE BOTH POLAND AND EAST GERMANY HAVE PURCHASED ARGENTINE GRAIN SORGHUM BUT THE USSR HAS NEVER AND THIS COULD BE ANOTHER POINT OF DISCUSSION.

3. BACKGROUND: ARGENTINE GRAIN HAS BEEN REGULARLY SOLD TO THE USSR, POLAND AND EAST GERMANY AND IN 1976 TOTAL EXPORTS OF ALL GRAINS INCLUDED 1,112,776 TONS TO THE USSR, 130,290 TONS TO POLAND AND 73,156 TONS TO EAST GERMANY. THERE ARE ALSO SIGNIFICANT FORWARD COMMITMENTS OF NEW CROP WHEAT TO THESE SAME COUNTRIES. HOWEVER, OUR UNDERSTANDING IS THAT VIRTUALLY ALL OF THE SHIPMENTS AND COMMITMENTS TO THE USSR AND POSSIBLY POLAND RESULT FROM "SWITCHES" IN OPTIONAL ORIGINS IN CONTRACTS MADE BY THE INTERNATIONAL SHIPPERS. THAT IS TO SAY, MOST OF THESE SALES DID NOT ORIGINATE IN ARGENTINA, BUT THE INTERNATIONAL FIRMS EXERCISED THESE OPTIONS TO DELIVER ARGENTINE GRAIN USUALLY AS OPPOSED TO THE U.S. GRAIN. ALL EXPORTS IN AT LEAST 1976 AND THUS FAR IN 1977 TO THESE DESTINATIONS HAVE BEEN MADE BY THE INTERNATIONAL SHIPPERS AND NOT BY THE NATIONAL GRAIN BOARD. WHEN THE BOARD WAS THE MONOPOLY GRAIN BUYER AND SELLER, THE FIRMS PURCHASED THE GRAIN FOB. AS OF AROUND MID-YEAR 1976, GRAIN BUYING AND SELLING REVERTED BACK TO THE PRIVATE SECTOR.

4. FURTHER BACKGROUND: ESTIMATE THE 1976-77 WHEAT CROP AT 11.0 MILLION TONS, THE EXPORTABLE SURPLUS AT 6.5 MILLION TONS AND EXPORT COMMITMENTS AT 6.0 MILLION TONS. THE GRAIN BOARD SUSPENDED FURTHER WHEAT EXPORT SALES REGISTRATION BY THE PRIVATE SHIPPERS ABOUT A WEEK AGO. FORECAST THE COMING CORN CROP AT 7.5 MILLION TONS VERSUS 5.8 MILLION LAST YEAR AND THE LIMITED OFFICIAL USE

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PAGE 03 BUENOS 01632 012222Z

EXPORTABLE SURPLUS AT 3.5 MILLION VERSUS 3.0 MILLION THIS MARKETING SEASON (APRIL-MARCH). FORECAST GRAIN SORGHUM PRODUCTION AT A RECORD 6.5 MILLION TONS VERSUS 5.1 MILLION TONS LAST SEASON AND THE EXPORTABLE SURPLUS AT 4.0 MILLION VERSUS 3.4 MILLION THIS SEASON. FORWARD SELLING OF BOTH CORN AND GRAIN SORGHUM HAS BEEN VERY SLOW. UNCERTAINTY OVER EXCHANGE RATES HAS BEEN GIVEN AS ONE REASON FOR THIS SLOWNESS, BUT TRADE SOURCES ALSO REPORT THAT BUYERS ARE WAITING FOR CLEARER IDEAS ABOUT THE COMING U.S. CORN CROP.

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